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FEDERAL BUREAU OF INVESTIGATION
INTELLIGENCE BULLETIN
Counterterrorism Division

24 January 2012

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(U) ~~(S//NF)~~ Exploitation of Bitcoin Generates Potential for Criminal and Terrorist Financing

(U) ~~(S//NF)~~ [REDACTED] Bitcoin, a currently legitimate, virtual currency that provides a level of anonymity for its users to conduct licit and illicit financial transactions. The international criminal community is currently exploiting methods using Bitcoin that conceal unlawful funds transfers.

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(U) ~~(S//NF)~~ Bitcoin is currently a legal, decentralized digital currency that allows users to transfer money through the Internet without the use of a bank. This permits lower fees, international access, and allows unlimited transactions while eliminating law enforcement interference and

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(U) Source Summary Statement

(U) ~~(S//NF)~~ [REDACTED]

(U) ~~(S//NF)~~ [REDACTED]

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(U//FOUO) [REDACTED]

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^a (U) **High confidence** generally indicates that the FBI's judgments are based on high-quality information or that the nature of the issue makes it possible to render a solid judgment. **Medium confidence** generally means that the information is credibly sourced and plausible, but can be interpreted in various ways, or is not of sufficient quality or corroborated sufficiently to warrant a higher level of confidence. **Low confidence** generally means that the information's credibility or plausibility is questionable, the information is too fragmented or poorly corroborated to make solid analytic inferences, or that the FBI has significant concerns or problems with the sources.

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sidestepping US regulatory currency reporting requirements. These specific and unique characteristics are valued by those seeking a covert method of conducting a financial transaction. Based on these attributes [REDACTED]

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(U) ~~(S)~~/REL TO USA, FVEY) According to an August 2011 USIC report,^b extremists are considering the use of online mechanisms, such as Bitcoin, to transfer money, likely in an effort to conduct nefarious financial transactions.¹

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(U) How Bitcoins Work

(U//FOUO) Bitcoins are the electronic equivalent of cash in the online community. Bitcoins are generated, or "mined," by computer software and acquire their value due to the amount of computer power required for creation, as well as the scarcity and uniqueness of each Bitcoin. Users can also obtain Bitcoins by exchanging real-world money, goods, or services with another user. Bitcoins are recognized by hundreds of businesses allowing owners to use this virtual currency to purchase anything from gift cards to firearms to travel packages. Bitcoins can also be exchanged for global currencies using online brokerage services, such as Mtgox.com, which links the Bitcoin seller with a buyer.

b1 per OGA

(U) Sources:

(U//FOUO) Internet site; Cornell University; "An Analysis of Anonymity in the Bitcoin System"; 22 July 2011; <http://arxiv.org/abs/1107.4524>; Research was supported by the Science Foundation of Ireland.

(U) Internet site; We Use Coins; "What is Bitcoin"; www.weusecoins.com; Source provides general information about the Bitcoin system.

(U//FOUO) Bitcoin Associated with Narco-Terrorism and Weapons of Mass Destruction

(U) ~~(S)~~/NF) The perceived anonymity aspect associated with Bitcoin has led to its incorporation into online illegal markets, most notably the Silk Road Marketplace (SRM), a peer-to-peer commerce Web site. Within SRM, users can buy and sell an array of goods and services within a secure and

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anonymous setting through the use of the onion router (Tor),^c a software program designed to route Internet traffic through a worldwide volunteer network of servers. [REDACTED]

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[REDACTED] Bitcoins are the only form of currency accepted for transactions within

SRM.^d

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- (U) Remarks from the US Treasury's Under Secretary for Terrorism and Financial Intelligence claimed in September 2011 at a public symposium that several international terrorist groups, including al-Qa'ida, are currently experiencing great financial hardship, which is forcing these groups to explore new avenues of funding such as new technologies and payment methods.⁹

^c (U) Users typically exploit Tors to conceal their Internet Protocol address to facilitate online anonymity.

^d (U) See **Appendix A** for a screenshot of the Silk Road Marketplace Web site and its sale of illicit items.

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- (U//FOUO) [REDACTED]

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- (U//FOUO) According to an open source article written in July 2011, Wikileaks, an international organization for anonymous whistleblowers, recently advised its Twitter followers that it now accepts *anonymous* donations via Bitcoin and stated, "Bitcoin is a secure and anonymous digital currency. Bitcoins cannot be easily tracked back to you, and are a [sic] safer and faster alternative to other donation methods."¹¹

(U) Outlook and Implications

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[REDACTED] SRM also illustrates how this digital currency is currently used as the sole payment system to facilitate the sale of illegal goods and services. It is likely that if Bitcoin grows in international notoriety, so too will its exploitation by individuals wishing to capitalize on the perceived anonymity it offers to conduct illicit financial transactions.

(U) Intelligence Collection Requirements

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[REDACTED]

(U) NIPF Requirements

(U)

[REDACTED]

(U) National Threat Priorities

[REDACTED]

[REDACTED]

(U) Appendix A: Illicit sales on the Silk Road Marketplace facilitated by Bitcoin, as highlighted in red

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Silk Road

anonymous marketplace

Welcome
messages(0) | orders(0) | account(B0) | settings

Home & Garden(25)

Seeds(3)

Cuttings(3)

Gardening Supplies(5)

Drugs(746)

Lab Supplies(9)

Digital goods(166)

Services(58)

Money(42)

Jewelry(3)

Weaponry(7)

Food(2)

sort by seller feedback -5 go

item	price	seller	ship to	ship from	
Telstra Pillar Key	\$0.44	qawsed	Australia	Me	add to cart
Wii - Super Mario Galaxy 2 (used)	\$1.54	HazednConfused	Germany	Germany	add to cart
Flowerpots, squared, 0,2L (2 pieces)	\$0.01	HazednConfused	Germany	Germany	add to cart
Flowerpots, squared 0,5L	\$0.01	HazednConfused	Germany	Germany	add to cart
Flowerpots squared, 1L	\$0.01	HazednConfused	Germany	Germany	add to cart
Flowerpots, squared, 1,7L	\$0.03	HazednConfused	Germany	Germany	add to cart
Flowerpots, squared, 3,5L	\$0.05	HazednConfused	Germany	Germany	add to cart
Hydrometer / Thermometer	\$0.70	HazednConfused	Germany	Germany	add to cart
Cannabis cutting, freshly rooted, female	\$0.51	HazednConfused	Germany	Germany	add to cart
Salvia divinorum Cutting / Steckling	\$0.90	OJP	EU(World)	Austria	add to cart
White Widow Cannabis Cutting / Clone / Steckling	\$0.45	OJP	worldwide	Germany	add to cart

(U) A screenshot of the Silk Road Marketplace Web site. Source: <http://motherboard.vice.com/2011/6/24/traveling-down-the-silkroad-to-buy-drugs-with-bitcoins>

(U) Endnotes

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(U) Online News Article; Brett Wolt; Reuters; "Senators Seek Crackdown on 'Bitcoin' Currency"; 8 June 2011; <https://www.reuters.com/article/2011/06/08/US-financial-bitcoins-idUSTRE7573T320110608>; accessed on 20 October 2011; Source is the world's leading source of news information for businesses and professionals.

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⁹ (U) US Treasury; Speech Notes; David S. Cohen; "Remarks by Under Secretary for Terrorism and Financial Intelligence David S. Cohen at Treasury's Counter-Terrorist Financing Symposium"; 8 September 2011; <http://www.treasury.gov/press-center/press-releases/Pages/tg1293.aspx>; accessed on 5 January 2012; US Department of the Treasury.

¹⁰ (U) Web site; Cornell University; "An Analysis of Anonymity in the Bitcoin System"; 22 July 2011; <http://arxiv.org/abs/1107.4524>. accessed 10 October 2011; Research was supported by the Science Foundation of Ireland.